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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

Washington, D. C.

DEVELOPMENTS IN LATIN AMERICAN
AGRICULTURAL POLICY AND
AMERICAN DEFENSE

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U.S. Department of Agriculture

To AAA Committeemen:

To help you keep informed on farm and other phases of national defense here are two statements on Pan-American agricultural policy and possible future developments in the Western Hemisphere. These statements are: (1) Extracts from the New York Times of June 18 and 19 telling details of the proposed Inter-American Corporation for handling surplus commodities of the Western Hemisphere; (2) Quotations from the speech by Secretary Wallace "Pan-America--the Road to Our Destiny," given before the Commonwealth Club in San Francisco, October 27, 1939.

Prepared by
The Division of Information
Agricultural Adjustment Administration

June 1940

INTER-AMERICAN EXPORT CORPORATION TO FACE "GERMANIA CORPORATION"
IN ALL SALES OF WESTERN HEMISPHERE SURPLUS PRODUCTS IS SUGGESTED

(From New York Times, June 18, 19, 1940)

President Roosevelt today (June 18) conferred with Secretary Wallace about the...plan...by which a top corporation financed entirely with United States capital would, in cooperation with Latin American countries and the Dominion of Canada, buy and sell the surplus commodities of the Western Hemisphere.

After this meeting it was said that Secretaries Hull, Morgenthau, Hopkins, and Wallace would go over the plan tomorrow (June 19) and present a finished draft to the President Thursday.

"The new Pan-American program fits right in with our philosophy of having abundant supplies and getting them put into use," Secretary Wallace said.

The government moved swiftly today (June 17) to bar economic or military encroachment of the totalitarian countries in the Western Hemisphere. President Roosevelt projected a great economic union between North and South America.....

The economic union of North and South America would be effected under a \$2,000,000,000 inter-American Export Corporation. The plans for the union came as an answer of Western Hemisphere nations to a German economic pincer movement reported to have asserted itself in several countries to the south.

As outlined in preliminary discussions between State, Treasury, Agriculture, and Commerce Department officials, the plan envisages an almost totalitarian control over exports of surplus commodities of North and South American countries to prevent German dictation of the terms on which the Reich will purchase Western Hemisphere products.

In addition to the top corporation financed entirely with United States capital and dominated by a board of seven out of ten governing members, the plan contemplates at least twenty-two subsidiary corporations representing each of the participating nations and an undetermined number of subsidiary groups for each of the more major export commodities.

The plan is to be presented to Congress by President Roosevelt with a request for authorizing legislation as soon as all details have been perfected and then to the various countries frankly, on the basis of "enlightened self-interest." Officials conversant with the plan made no secret today of the fact that the latter term included military and naval as well as economic considerations.....

One high Administration official said that there were several German pincer movements aimed at the Western Hemisphere and South America in particular from which this country has cause for concern. The first is ideological and has been in operation for some time. The second is economic

and was well under way through the medium of barter trading before the Nazi government became completely preoccupied with its military operations. The third pincer movement was described, of course, as being of the military variety.....

It is against the background of these implied threats, according to officials, that the President has decided to give speedy effect to the idea of an all-American export cartel. He has told officials working on the plan, it is understood, that speed is of the essence.

The problem, as seen by the President and officials more intimately connected with the plan, is to discover a medium for fighting economic force with force. In the proposed super-corporation idea they think they have found that medium, provided it can be made effective before the Latin-American countries begin to feel too keenly the pinch of lost European export markets, which normally take about 55 percent of their surplus commodities.

There has been no final decision on the capitalization of the export corporation since this will have to be approved by Congress along with all other details. However, officials are convinced, apparently, that at least \$2,000,000,000 will be needed to do an effective job.

Just now, the thought of officials is concentrated almost entirely on the control of exports from the various Western Hemisphere countries. This is for the reason that German economic penetration can be achieved only by purchases from rather than sales to the Americas. But that Western Hemisphere purchases from Germany and the European countries it controls will be brought within the general cartel scheme is conceded by officials working on the plan.

Neither is there much doubt that, once approved by Congress, the plan will find ready acceptance by Latin American republics and Canadian cooperation is a foregone conclusion. Aside from the question of defense against aggression and hemispherical solidarity, the plan will offer so many advantages to participating countries that not to cooperate would be foolhardy, officials believe.

In general theory, the plan would provide complete control over all export sales of participating countries to whatever buyers. Because the scheme would be financed with United States capital, it is thought the headquarters of the corporation would be in Washington and that United States representatives would dominate all policy decisions.

Latin American countries would be assured of an outlet for their surplus export commodities, for they would be purchased by the corporation itself and either resold, bartered, or given away, or, conceivably, dumped into the ocean. In any case, the participating nation would receive a just price for its products and if it could not be obtained from a buyer overseas, the cartel or corporation itself would fill the gap.

However, in no case would surplus products acquired by the United States-dominated corporation be permitted to compete in this country with

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domestically produced commodities. To prevent this, the corporation would merely take title to such commodities at the originating country without undertaking its shipment to the United States.

Some of those who have worked on the plan estimate that it may involve a loss of from \$300,000,000 to \$500,000,000 a year for the United States through accumulation of unsalable surpluses. They insist, however, that it is better to write off such a loss than it is to supply the Nazi government with a like amount of funds to put into the production of tanks with which to invade Western Hemisphere nations.

This deduction the experts support with figures. They point out that surplus commodity exports from Latin American countries averaged about \$1,069,000,000 a year during the period 1935-1938. Of this amount more than 50 percent went to European markets other than Germany, as against 32 percent to the United States and 17 percent to Germany proper.

With Germany already in a position to dominate most if not all of the foreign trade of the Continent (of Europe) with the Americas, the President thought that the American republics, including Canada, must be in a position to present their own economic force against that of Germany. The President himself has pictured the Continent (of Europe) in event of a complete German victory as "Germania Corporation." Against this he would oppose an Inter-American Corporation.

Underlying the new American economic union is the following.... reasoning of some of those working on the plan: If a huge Germania Corporation were to control the purchase of all of the exports of surplus products from the New World to Europe, the effect would be felt in every farm and every home in the Western Hemisphere.

SECRETARY WALLACE IN "PAN-AMERICA--THE ROAD OF OUR DESTINY,"
ON OCTOBER 27, 1939, OUTLINED GREAT AGRICULTURAL POLICY PROBLEM

(From speech before Commonwealth Club in San Francisco)

The American frontier of 1939 is more than local....It stretches from the Arctic to the Antarctic and takes in the whole of our Western Hemisphere....We in the United States have been trying to preserve democracy and capitalistic free enterprise in a world in which free enterprise of the type known in the Nineteenth Century was rapidly disappearing....Now a whole new situation has been brought by the startling events of the last two months....War has upset the former trade relationships, and has made it necessary for the United States to re-examine not only its foreign policy, but also its foreign trade situation and the domestic policies which are necessarily governed by its position with respect to foreign trade....We want clear-cut national policies to which we can cling through this period of confusion and stress-- policies which will lead us, not along some strange and alien course, but along a course that we know is our own. To work out such policies and to carry them out is the challenge of our American frontier in 1939. It will still be the challenge next year, and in the years ahead.

For 300 years we have breathed the free and open air of this North American continent....We do not consider ourselves a part of the system of economic imperialism which dominates Europe and Africa and Asia....That imperialistic system once embraced North and South America, also. But, for the most part, our two continents have broken away from it....We have our own life to live....Recognizing our creditor position, recognizing our soil needs, recognizing our intense desire for peace, recognizing our ever-growing interest in Pan-Americanism, we shall inevitably, although it may be gradually, orient our trade and life more and more away from Europe....But even though we give our first attention to and lay our strongest emphasis upon these New World ties, we must not entirely forget the Old World....Undoubtedly we shall continue to fight a rear-guard action to hold on to a percentage of Old World export trade, whether in the Occident or the Orient....But we must not persist in trying to sell abroad merely for the sake of selling. We must not export our resources. The needs of our soil must come first.....

A more vigorous Latin-American policy based on democracy and not on imperialism is not in any sense partisan. We all remember that Herbert Hoover, between the time of his election in 1928 and his inauguration, made a good-will trip to Latin America. We remember, also that some other prominent Republicans have stood shoulder to shoulder with Secretary Hull in pushing for better understanding with the Americas. President Roosevelt of course has worked more continuously for Latin American understanding than any other president in the history of the United States. Slowly but surely our friends to the South are being convinced that our objectives are democratic and not imperialistic. They have shown that if we are a good neighbor, they can be good neighbors, too. They know now that the Monroe Doctrine stands for a true partnership between the Americas.

We in the United States have practically all we need for an ample and progressive life. What we need from other peoples we want to get by equitable exchange.

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